PLAINTIFF'S MOTION TO COMPEL

Document 36

Filed 06/24/2008

Page 1 of 18

Case 3:07-cv-04636-MMC

#### **TABLE OF CONTENTS**

2		<u>Pa</u>	ge
3	TABLE OF AUTHORITIESiii		
4	NOTICE OF MOTION1		
5	MEMORANDUM OF POINTS AND AUTHORITIES		
6	STATEMENT OF THE ISSUES TO BE DECIDED		
7	STATEMENT OF FACTS3		
8	ARGUMENT4		
9	I.	I. Plaintiff's Requests for Production to All Risks, Set One, All Risks' objections, and reasons why this Court should compel further responses	
		A. Request for Production No. 8	
11		B. Request for Production No. 9	I
13		C. Request for Production No. 10	
14		D. Request for Production No. 11	
15		E. Request for Production No. 12	
16	II.	Plaintiff's Requests for Production to McGrath, Set One, McGrath's objections, and reasons why this Court should compel further responses	
17		A. Request for Production No. 13	
18		B. Request for Production No. 14	
19		C. Request for Production No. 15	
20		D. Request for Production No. 16	
21		E. Request for Production No. 17	
22 23	objections, and reasons why this Court should compel further responses		
24		A. Request for Production No. 36	
25		B. Request for Production No. 37	
26	IV. Deposition of McGrath		
27	V. This Court should not condone Defendants' attempt to manipulate the discovery process by promising Eleventh Hour document productions		
28		i Case No. CCC-07-4636 MMC (J	JL)

PLAINTIFF'S MOTION TO COMPEL

Document 36

Filed 06/24/2008

Page 3 of 18

Case 3:07-cv-04636-MMC

#### TO DEFENDANTS AND THEIR ATTORNEYS OF RECORD:

NOTICE IS HEREBY GIVEN that on August 6, 2008 at 9:30 a.m. or as soon thereafter as counsel may be heard by the above-entitled Court, located at 450 Golden Gate Avenue, San Francisco, CA 94102, Courtroom F, before the Honorable Chief Magistrate Judge James Larson, Plaintiff Crump Insurance Services, Inc. ("Crump") will and hereby does move to compel Defendants All Risks, Ltd. ("All Risks") and Michael P. McGrath ("McGrath"), Cynthia Marty ("Marty"), and Nicholas Cortezi ("Cortezi") to respond further to discovery.

Crump's Requests for Production, Set One, Nos. 8-12; (2) McGrath to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 13-17; (3) All Risks to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 13-17; (3) All Risks to produce all documents responsive to Crump's Requests for Production, Set Two, Nos. 36-37; (4) McGrath to answer deposition questions regarding his compensation at All Risks; (5) McGrath and All Risks to produce any documents withheld on the ground of privacy or attorney-client privilege; and (6) McGrath, Marty, and Cortezi to answer questions at further depositions regarding the documents and information. This motion is made on the grounds that Defendants' objections are meritless and further responses should be compelled.

This motion is based upon this Notice of Motion and Motion, the accompanying Memorandum of Points and Authorities, the Declaration of Dylan B. Carp, the Declaration of Dylan B. Carp in Support of Plaintiff Crump Insurance Services, Inc.'s Motion to Compel Defendant All Risks, Ltd. to Respond to Requests for Production Nos. 4, 7 and 26 and to Produce Unredacted Documents and Motion to Compel Michael McGrath, Nicholas Cortezi, and Cynthia Marty to Appear for Further Depositions Regarding the Documents, executed June 18, 2008, all pleadings and papers on file in this action, and upon such other matters as may be presented to the Court at the time of the hearing.

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1	The undersigned certifie	s pursuant to Rule 37(a)(1) that the movant has in good fait	h
2		o make discovery in an effort to obtain it without court action.	
3	DATED: June 24, 2008	JACKSON LEWIS LLP	
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5			
6		By: Mark S. Askanas	
7		Dylan B. Carp Tara L. Riedley Attorneys for Plaintiff CRUMP INSURANCE SERVICES, INC.	
8		Attorneys for Plaintiff CRUMP INSURANCE SERVICES, INC.	
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		2 Case No. C-07-4636 MMC	

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### **MEMORANDUM OF POINTS AND AUTHORITIES** STATEMENT OF THE ISSUES TO BE DECIDED

Should this Court compel: (1) All Risks to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 8-12; (2) McGrath to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 13-17; (3) All Risks to produce all documents responsive to Crump's Requests for Production, Set Two, Nos. 36-37; (4) McGrath to answer deposition questions regarding his compensation at All Risks; (5) McGrath and All Risks to produce any documents withheld on the ground of privacy or attorney-client privilege; and (6) McGrath, Marty, and Cortezi to answer questions at further depositions regarding the documents and information?

#### STATEMENT OF FACTS

The background facts surrounding this discovery dispute are set forth in Crump's previously-filed Motion to Compel, also set for hearing on August 6, 2008. The parties met and conferred through counsel via fax and telephone, but were unable to resolve the disputes presented in this motion. Declaration of Dylan B. Carp in Support of Plaintiff Crump Insurance Services, Inc.'s Motion to Compel (1) All Risks to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 8-12; (2) McGrath to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 13-17; (3) All Risks to produce all documents responsive to Crump's Requests for Production, Set Two, Nos. 36-37; (4) McGrath to answer deposition questions regarding his compensation at All Risks; (5) McGrath and All Risks to produce any documents withheld on the ground of privacy or attorney-client privilege; and (6) McGrath, Marty, and Cortezi to answer questions at further depositions regarding the documents and information ("2nd Carp Dec"), ¶ 2.

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#### **ARGUMENT**

- I. Plaintiff's Requests for Production to All Risks, Set One, All Risks' objections, and reasons why this Court should compel further responses.
  - A. Request for Production No. 8.

#### REQUEST:

"All documents and electronically stored information from January 1, 2007 through September 1, 2007, concerning or relating to Menlo Equities LLC insurance business."

#### RESPONSE:

"Defendant objects to this request as overly broad. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential, proprietary or trade secret information."

#### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

After McGrath left Crump and joined All Risks, Crump received a Broker of Record letter transferring this account from Crump to All Risks. Declaration of Dylan B. Carp in Support of Plaintiff Crump Insurance Services, Inc.'s Motion to Compel Defendant All Risks, Ltd. to Respond to Requests for Production Nos. 4, 7 and 26 and to Produce Unredacted Documents and Motion to Compel Michael McGrath, Nicholas Cortezi, and Cynthia Marty to Appear for Further Depositions Regarding the Documents, executed June 18, 2008 ("1st Carp Dec"), Ex. L¹, Ex. 9. Crump alleges that Marty gave McGrath the Expiration Log that she obtained from Crump soon before she and McGrath left Crump to join All Risks. Crump further alleges that McGrath used and divulged some of Crump's confidential information on that Log, such as the policy renewal date, the commission, or the premium, to obtain this business for All Risks. If so, this would establish that McGrath and All Risks misappropriated Crump's trade secrets. The request is designed to discover facts relevant to this important issue. Therefore, the request is not overbroad and seeks relevant information.

<sup>&</sup>lt;sup>1</sup> Excerpts of the transcript of the April 30, 2008 Deposition of McGrath.

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Further, All Risks' objection that responsive information is confidential, proprietary or trade secret is meritless for two reasons. First, the parties have negotiated a protective order governing such discovery. Second, this objection is inconsistent with McGrath's deposition testimony (2nd Carp Dec, Ex. A<sup>2</sup> at 271:12-272:25) and with inappropriate statements of Defendants' counsel during McGrath's deposition (2nd Carp Dec, Ex. A. at 270:13-17; 267:6-268:5) that such information is neither confidential nor proprietary.

#### B. Request for Production No. 9.

#### REQUEST:

"All documents and electronically stored information from January 1, 2007 through September 1, 2007, concerning or relating to Alecta Real Estate USA LLC insurance business."

#### RESPONSE:

"Defendant objects to this request as overly broad. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential, proprietary or trade secret information."

#### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

Same reasons regarding RFP No. 8. In addition, in late May 2007, shortly before McGrath left Crump, McGrath obtained a quote from RLI, an insurer, for an insured named Alecta, and forwarded that quote to his home e-mail address. *1st Carp Dec, Ex. L at 60:22-64:15*. After McGrath left Crump and joined All Risks, All Risks placed the insurance. *1st Carp Dec, Ex. L at* 64:25-67:7. Crump alleges that McGrath wrongfully used the quote from RLI, which is Crump's confidential information, to obtain the business for All Risks. This request is designed to obtain facts relevant to this issue.

#### C. Request for Production No. 10.

#### REQUEST:

"All documents and electronically stored information from January 1, 2007 through September 1, 2007, concerning or relating to Jay & Carole Hagglund Trust Insurance business."

<sup>&</sup>lt;sup>2</sup> Excerpts of the transcript of the June 10, 2008 Deposition of McGrath.

#### RESPONSE:

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"Defendant objects to this request as overly broad. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential, proprietary or trade secret information."

#### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

Same reasons regarding RFP No. 8, except Crump has not located a broker of record letter regarding this company.

#### D. Request for Production No. 11.

#### **REQUEST:**

"All documents and electronically stored information from January 1, 2007 through September 1, 2007, concerning or relating to North First Street Properties insurance business."

#### **RESPONSE:**

"Defendant objects to this request as overly broad. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential, proprietary or trade secret information."

#### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

Same reasons regarding RFP No. 8, except the pertinent broker of record letters are attached to the 1st Carp Dec, Ex. L. Exs. 10 & 20.

#### E. Request for Production No. 12.

#### **REQUEST:**

"All documents and electronically stored information from January 1, 2007 through September 1, 2007, concerning or relating to Brandenburg Staedler & Moore insurance business."

#### RESPONSE:

"Defendant objects to this request as overly broad. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the

1	discovery of admissible evidence. Defendant objects to this request as it seeks confidential				
2	proprietary or trade secret information."				
3	REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:				
4	Same reasons regarding RFP No. 8, except the pertinent broker of record letters are				
5	attached to the 1st Carp Dec, Ex. L. Exs. 8 & 9.				
6	II. Plaintiff's Requests for Production to McGrath, Set One, McGrath's objections,				
7	and reasons why this Court should compel further responses.				
8	A. Request for Production No. 13.				
9	REQUEST:				
0	"All documents and electronically stored information from January 1, 2007 through				
1	September 1, 2007, concerning or relating to Menlo Equities LLC insurance business."				
2	RESPONSE:				
3	"Defendant objects to this request as overly broad. Defendant objects to this request as it				
4	seeks information that is neither relevant to this action nor reasonably calculated to lead to the				
5	discovery of admissible evidence. Defendant objects to this request as it seeks confidential,				
5	proprietary or trade secret information." Defendant further objects that this response seeks to				
7	violate constitutional, statutory, and/or common law privacy rights of third parties not party to				
3	this litigation.				
9	REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:				
)	Same reasons regarding RFP No. 8.				
L	B. Request for Production No. 14.				
2	REQUEST:				
}	"All documents and electronically stored information from January 1, 2007 through				
<b> </b>	September 1, 2007, concerning or relating to Alecta Real Estate USA LLC insurance business."				
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**RESPONSE**:

"Defendant objects to this request as overly broad. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential,

proprietary or trade secret information."

### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

Same reasons regarding RFP No. 11.

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#### E. Request for Production No. 17.

#### **REQUEST:**

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"All documents and electronically stored information from January 1, 2007 through September 1, 2007, concerning or relating to Brandenburg Staedler & Moore insurance business."

#### **RESPONSE:**

"Defendant objects to this request as overly broad. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential, proprietary or trade secret information."

### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

Same reasons regarding RFP No. 12.

III. Plaintiff's Requests for Production to All Risks, Set Two, All Risks' objections, and reasons why this Court should compel further responses.

#### A. Request for Production No. 36:

#### REQUEST:

Any communications between Michael P. McGrath and Woodruff Sawyer & Company from June 3, 2007 through June 11, 2007.

#### RESPONSE:

"Defendant objects to this request as overly broad and unduly burdensome. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential, proprietary or trade secret information. Defendant further objects that this response seeks to violate constitutional, statutory, and/or common law privacy rights of third parties not party to this litigation."

#### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

June 3 to 11, 2007 is the critical period surrounding McGrath's departure from Crump. Soon after, Crump received Broker of Record letters from Woodruff Sawyer replacing Crump

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with All Risks. Any communications McGrath had during that time period with Woodruff Sawyer are relevant to Whether McGrath used Crump's confidential information to obtain customers for All Risks, such as policy renewal dates, premiums, or commissions. Thus, the request is not overly broad and seeks relevant information.

Further, McGrath's objection that responsive information is confidential, proprietary or trade secret is meritless for two reasons. First, the parties have negotiated a protective order governing such discovery. Second, this objection is inconsistent with McGrath's deposition testimony (2nd Carp Dec, Ex. A at 271:12-272:25) and with inappropriate statements of Defendants' counsel during McGrath's deposition (2nd Carp Dec, Ex. A. at 270:13-17; 267:6-268:5) that such information is neither confidential nor proprietary. And Defendants have not indicated that they withheld any documents on privacy grounds, so this objection is moot. If Defendants have withheld any responsive documents on this ground, then this Court should review the documents in camera to determine whether the right to privacy applies, with counsel for All Risks bearing the burden of assisting the court to conduct that hearing. Babcock v. Superior Court 29 Cal. App. 4th 721, 727, 35 Cal. Rptr. 2d 462, 465 (1994). If it does not apply, this Court should compel production. If it does apply, this Court should weigh the privacy right against Crump's right to discover the information.

#### В. Request for Production No. 37:

#### REOUEST:

Any communications between Michael P. McGrath and HUB International from June 3, 2007 through June 11, 2007.

#### **RESPONSE:**

"Defendant objects to this request as overly broad and unduly burdensome. Defendant objects to this request as it seeks information that is neither relevant to this action nor reasonably calculated to lead to the discovery of admissible evidence. Defendant objects to this request as it seeks confidential, proprietary or trade secret information. Defendant further objects that this response seeks to violate constitutional, statutory, and/or common law privacy rights of third parties not party to this litigation."

### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

June 3 to 11, 2007 is the critical period surrounding McGrath's departure from Crump. Soon after, Crump received Broker of Record letters from HUB International replacing Crump with All Risks. Any communications McGrath had during that time period with HUB International are relevant to Whether McGrath used Crump's confidential information to obtain customers for All Risks, such as policy renewal dates, premiums, or commissions. Thus the request is not overly broad and seeks relevant information.

Further, McGrath's objection that responsive information is confidential, proprietary or trade secret is meritless for two reasons. First, the parties have negotiated a protective order governing such discovery. Second, this objection is inconsistent with McGrath's deposition testimony (2nd Carp Dec, Ex. A at 271:12-272:25) and with inappropriate statements of Defendants' counsel during McGrath's deposition (2nd Carp Dec, Ex. A. at 270:13-17; 267:6-268:5) that such information is neither confidential nor proprietary. And Defendants have not indicated that they withheld any documents on privacy grounds, so this objection is moot. If Defendants have withheld any responsive documents on this ground, then this Court should review the documents in camera to determine whether the right to privacy applies, with counsel for All Risks bearing the burden of assisting the court to conduct that hearing. Babcock v. Superior Court 29 Cal.App.4th 721, 727, 35 Cal.Rptr.2d 462, 465 (1994). If it does not apply, this Court should compel production. If it does apply, this Court should weigh the privacy right against Crump's right to discover the information.

#### IV. Deposition of McGrath.

#### **QUESTION**:

"How much have you been compensated at All Risks including salary, signing bonus, any other bonuses or benefits?"

#### **OBJECTION:**

"I instruct the witness not to answer. That's private information." 2nd Carp Dec, Ex. A at 234:17-22.

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#### REASON WHY THIS COURT SHOULD COMPEL A FURTHER RESPONSE:

The instruction was improper because Crump's right to discover McGrath's compensation at All Risks outweighs any right he has to keep the information private. As Crump's counsel explained at the deposition (2nd Carp Dec. Ex. A at 234:23-25), Crump needs this information because it can constitute unjust enrichment for misappropriation of Crump's trade secrets. Morlife v. Perry 56 Cal.App.4th 1514, 1529, 66 Cal.Rptr.2d 731, 740 (1997). If McGrath is able to defeat discovery of this information, then he can effectively deprive Crump of a lawful remedy for McGrath's unlawful behavior, which would surely stretch the privacy right beyond its limits.

During the meet and confer process, Defendants' counsel attempted to distinguish Morlife on the ground that the salaries in Morlife were derived from business that was wrongfully solicited from Plaintiff, whereas here McGrath answered "no" to the question, "Was any of your compensation determined by the amount of revenues you generated?" 2nd Carp Dec, Ex. A at 242:11-13. However, in Morlife there is nothing in the opinion indicating that the offending employees' salaries were strictly tied (or tied at all) to their new employer's revenue. The Morlife court held that applying a 33% figure to their salaries, reflecting the 33% of their new employer's business derived from former Morlife customers, was "a reasonable approximation" of the offending employees' unjust enrichment. Here, a jury could reasonably find that McGrath's compensation was set based in part on All Risks' prediction of how much revenue McGrath could generate, even if his compensation would not rise or fall depending on the revenue he actually brought in, and the jury could "reasonably approximate" McGrath's unjust enrichment by applying a percentage figure to his salary based on the percentage of All Risks' revenue derived from former Crump customers, just as in *Morlife*.

#### V. This Court should not condone Defendants' attempt to manipulate the discovery process by promising Eleventh Hour document productions.

By fax dated June 10, 2008, Defendants' counsel stated in writing that "no documents have been withheld on account of the attorney-client and/or attorney work product privileges." 1st Carp Dec, Ex. H at 2. Nevertheless, over a year after the inception of this litigation,

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Defendants claim to have discovered for the very first time potentially privileged documents which heretofore were never previously identified. 2nd Carp Dec, Ex. I. Indeed, in a fax dated June 23, Defendants' counsel wrote "as promised," Defendants will produce "A log of documents withheld on privacy and/or attorney-client privilege grounds." 2nd Carp Dec. Ex. F at 3. Crump's counsel spotted the apparent contradiction and immediately asked Defendants' counsel for clarification. 2nd Carp Dec, Ex. H. By fax sent at 5:01 p.m. that day, Defendants' counsel conceded this last minute change in position. 2nd Carp Dec, Ex. I. To date, no such log has been forthcoming

By fax dated June 18, Crump's counsel had advised Defendants' counsel that "our entire office will be absent next Thursday and Friday, June 26 and 27, for our firm's annual retreat, and that I will thereafter be on vacation until July 5, so I will need to file any motions to compel regarding unresolved issues by Wednesday, June 25." 2nd Carp Dec, Ex. B. Defendants should explain why they did not discover purportedly privileged documents until after the discovery cutoff.

#### VI. Defendants will not have produced a log for withheld documents in time for a meaningful meet and confer.

Further, although Defendants' counsel promised in writing as early as June 12 to provide a log for documents withheld for privacy reasons 1st Carp Dec, Ex. J at 1, Defendants' counsel's 5:01 p.m. fax stated that a log for all withheld documents would be forthcoming only by close of business Wednesday, June 25. 2nd Carp Dec, Ex. I. As Crump's counsel previously advised Defendants' counsel, that would leave inadequate time to meet and confer regarding any withheld documents before the deadline to file discovery motions. 2nd Carp Dec. Ex. B. Defendants' counsel's 5:01 p.m. fax states that "the documents withheld on privacy grounds are employment agreements for Mr. McGrath and Ms. Marty as well as correspondence related to those agreements." 2nd Carp Dec, Ex. I. However, this brief description does not substitute for a proper log and is not sufficient to facilitate a meaningful meet and confer in sufficient time.

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As a result, this Court should conduct an in camera review of any documents that Defendants withheld from production or order a meaningful meet and confer after Defendants have produced an adequate log of withheld documents.

VII. This Court should compel further depositions regarding the documents and information.

All Risks should have produced the documents and information discussed above before the parties engaged in expensive deposition discovery. Because Crump did not have all responsive, un-redacted documents in a timely manner, Crump was unable to question McGrath, Cortezi, and Marty about them. As a result, this Court should compel McGrath, Cortezi, and Marty to appear for further depositions to answer questions regarding these documents.

#### CONCLUSION

For the reasons stated above, this Court should compel: (1) All Risks to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 8-12; (2) McGrath to produce all documents responsive to Crump's Requests for Production, Set One, Nos. 13-17; (3) All Risks to produce all documents responsive to Crump's Requests for Production, Set Two, Nos. 35-37; (4) McGrath to answer deposition questions regarding his compensation at All Risks; (5) McGrath and All Risks to produce any documents withheld on the ground of privacy or attorney-client privilege; and (6) McGrath, Marty, and Cortezi to answer questions at further depositions regarding the documents and information.

DATED: June 24, 2008

JACKSON LEWIS LLP

By:

Mark S. Askanas Dylan B. Carp

Tara L. Riedlev

Attorneys for Plaintiff

CRUMP INSURANCE SERVICES, INC.

14

Case No. C-07-4636 MMC